

**MOR-1****UNITED STATES BANKRUPTCY COURT**CASE NAME: Watson Grinding and Manufacturing Co.CASE NUMBER: 20-30967PROPOSED PLAN DATE: UnknownPETITION DATE: 2/6/2020DISTRICT OF TEXAS: SouthernDIVISION: Houston**MONTHLY OPERATING REPORT SUMMARY FOR****FEBRUARY 2020**

<i>MONTH</i>	02/01/20-02/29/20					
REVENUES (MOR-6)	0.00	0.00	0.00	0.00	0.00	0.00
INCOME BEFORE INT; DEPREC./TAX (MOR-6)	-368,860.09	0.00	0.00	0.00	0.00	0.00
NET INCOME (LOSS) (MOR-6)	-374,402.09	0.00	0.00	0.00	0.00	0.00
PAYMENTS TO INSIDERS (MOR-9)	59,221.49	0.00	0.00	0.00	0.00	0.00
PAYMENTS TO PROFESSIONALS (MOR-9)	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL DISBURSEMENTS (MOR-7)	375,719.02	0.00	0.00	0.00	0.00	0.00

\*\*\*The original of this document must be filed with the United States Bankruptcy Court and a copy must be sent to the United States Trustee\*\*\*

**REQUIRED INSURANCE MAINTAINED****AS OF SIGNATURE DATE****EXP.****DATE**

CASUALTY YES (x) NO ( )

11/30/2020

LIABILITY YES (x) NO ( )

11/30/2020

VEHICLE YES (x) NO ( )

11/30/2020

WORKER'S YES (x) NO ( )

11/30/2020

OTHER YES (x) NO ( )

11/30/2020

Are all accounts receivable being collected within terms?

CIRCLE ONE

Yes No

Are all post-petition liabilities, including taxes, being paid within terms?

Yes No

Have any pre-petition liabilities been paid?

Yes No

If so, describe

Are all funds received being deposited into DIP bank accounts?

Yes No

Were any assets disposed of outside the normal course of business?

Yes No

If so, describe

Are all U.S. Trustee Quarterly Fee Payments current?

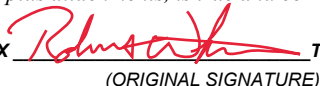
Yes No

What is the status of your Plan of Reorganization?

ATTORNEY NAME: Erin E. JonesFIRM NAME: Jones Murray and Beatty LLPADDRESS: 4119 MontroseSuite 230CITY, STATE, ZIP: Houston, TX 77006TELEPHONE/FAX: 832-529-1999

I certify under penalty of perjury that the following complete  
Monthly Operating Report (MOR), consisting of MOR-1 through  
MOR-9 plus attachments, is true and correct.

SIGNED X



TITLE:

COO

(ORIGINAL SIGNATURE)

Robert White, COO

(PRINT NAME OF SIGNATORY)

DATE

3-20-2020

Revised 07/01/98

**MOR-1**

Reservation of Rights: The Debtor reserves all rights to amend or supplement the MOR in all respects, as may be necessary or appropriate, but shall be under no obligation to do so. Nothing contained in this MOR shall constitute a waiver of any of the Debtor's rights or an admission with respect to its Chapter 11.

\*\* Some regularly recurring journal entries have not been posted as of 02.29.2020, certain accruals have not been recorded based on the timing (due date) for the reports.

CASE NAME: Watson Grinding and Manufacturing Co.CASE NUMBER: 20-30967**COMPARATIVE BALANCE SHEETS**

<b>ASSETS</b>	<b>FILING DATE*</b>	<b>MONTH</b> Feb 2020	<b>MONTH</b>	<b>MONTH</b>	<b>MONTH</b>	<b>MONTH</b>	<b>MONTH</b>
<b>CURRENT ASSETS</b>							
Cash - Operating/Payroll	879,294.94	792,002.28					
Cash - Insurance Proceeds <b>FN1</b>	3,000,000.00	3,000,000.00					
Accounts Receivable, Net	2,265,107.48	1,521,243.55					
Inventory: Lower of Cost or Market							
Prepaid Expenses	393,085.60	393,085.60					
Prepaid Insurances <b>FN2</b>	226,068.40	226,068.40					
Deposits <b>FN3</b>	317,423.10	317,423.10					
Investments							
Insurance	26,000,000.00	26,000,000.00					
Other <b>FN5</b>	10,092.22	9,783.96					
<b>TOTAL CURRENT ASSETS</b>	<b>33,091,071.74</b>	<b>32,259,606.89</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>PROPERTY, PLANT &amp; EQUIP. @ COS1 FN4</b>	<b>4,239.99</b>	<b>4,239.99</b>					
Less Accumulated Depreciation	0.00	0.00					
<b>NET BOOK VALUE OF PP &amp; E</b>	<b>4,239.99</b>	<b>4,239.99</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>OTHER ASSETS</b>							
1.							
2.							
3.							
4.							
<b>TOTAL ASSETS</b>	<b>\$33,095,311.73</b>	<b>\$32,263,846.88</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

\* Per Schedules and Statement of Affairs

**MOR-2**

Revised 07/01/98

- FN1** Received on 02/03/2019 by United Fire Lloyds (General Liability - \$2,000,000 & Automobile Liability - \$1,000,000)
- FN2** Prepaid Insurance - AI Thurmond Agency, Inc.
- FN3** Equipment Deposit - Dunn's Testing
- FN4** (2) 2010 Crown Victoria, 2001 F-250, and 2006 GMC Utility Truck - Appraisal Value
- FN5** Employee Receivable (\$2,095.22) and Other Receivable (\$7,997.00)

**CASE NAME:** Watson Grinding and Manufacturing Co.

**CASE NUMBER:** 20-30967

## COMPARATIVE BALANCE SHEETS

LIABILITIES & OWNER'S EQUITY	FILING DATE*	MONTH Feb 2020	MONTH	MONTH	MONTH	MONTH	MONTH
LIABILITIES							
POST-PETITION LIABILITIES(MOR-4)	0.00	384.00	0.00	0.00	0.00	0.00	0.00
PRE-PETITION LIABILITIES							
Notes Payable - Secured FN2	3,218,120.00	3,218,120.00					
Priority Debt - Unsecured FN3	144,921.78	144,921.78					
Federal Income Tax							
FICA/Withholding							
Unsecured Debt FN4   FN5	3,075,032.64	3,059,799.23					
Other							
TOTAL PRE-PETITION LIABILITIES	6,438,074.42	6,422,841.01	0.00	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	6,438,074.42	6,423,225.01	0.00	0.00	0.00	0.00	0.00
OWNER'S EQUITY (DEFICIT)							
PREFERRED STOCK							
COMMON STOCK							
ADDITIONAL PAID-IN CAPITAL							
RETAINED EARNINGS: Filing Date	26,657,237.31	26,657,237.31					
RETAINED EARNINGS: Post Filing Date	0.00	-374,402.09	0.00	0.00	0.00	0.00	0.00
RETAINED EARNINGS: Pre / Post Filing Date Adjustments FN1   FN6	0.00	-442,213.35					
TOTAL OWNER'S EQUITY (NET WORTH)	26,657,237.31	25,840,621.87	0.00	0.00	0.00	0.00	0.00
TOTAL LIABILITIES & OWNERS EQUITY	\$33,095,311.73	\$32,263,846.88	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

\* Per Schedules and Statement of Affairs

### MOR-3

Revised 07/01/98

		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>FN1</b>	Adjustments such as payments of pre-petition debt, reduction of actual post petition debt, and other general operational adjustments							
<b>FN2</b>	Texas Capital Bank Borrowing Base Line of Credit (\$3,000,000.00); Harris County Tax Assessor-Collector (\$218,120.00)							
<b>FN3</b>	Texas Comptroller of Public Accounts (\$86,606.38); Accrued PTO (\$58,315.40)							
<b>FN4</b>	Significant number Litigation Claims have been filed but the pending amounts are Unknown at this time, thus excluded from the total							
<b>FN5</b>	Cash Collateral Budget approved by the court to pay Business Insurance premium - Texas Mutual Insurance Company (\$5,899.41); UFG Insurance (\$9,334.00)							
<b>FN6</b>	Accounts Receivable based off of the 01.23.2020 Trial Balance but cash as of the filing date 02.06.2020 --> AR Payments received between those (2) dates: January Electronic Payments (\$187,081.90); January Lockbox Payments (\$42,644.38); February Electronic Payments (\$94,082.35); February Lockbox Payments (\$80,365.00)							

CASE NAME: Watson Grinding and Manufacturing Co.  
CASE NUMBER: 20-30967

### SCHEDULE OF POST-PETITION LIABILITIES

	MONTH Feb 2020	MONTH	MONTH	MONTH	MONTH	MONTH
<b>TRADE ACCOUNTS PAYABLE</b>	384.00					
<b>TAX PAYABLE</b>						
Federal Payroll Taxes						
State Payroll Taxes						
Ad Valorem Taxes						
Other Taxes						
<b>TOTAL TAXES PAYABLE</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>SECURED DEBT POST-PETITION</b>						
<b>ACCRUED INTEREST PAYABLE</b>						
<b>ACCRUED PROFESSIONAL FEES*</b>						
<b>OTHER ACCRUED LIABILITIES</b>						
1. Jones Murray and Beatty LLP	0.00					
2. MACCO Restructuring Group	0.00					
3. US Trustee Fees (Unpaid)	0.00					
<b>TOTAL POST-PETITION LIABILITIES (MOR-3)</b>	\$384.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

\*Payment requires Court Approval

**MOR-4**

Revised 07/01/98

CASE NAME: Watson Grinding and Manufacturing Co.CASE NUMBER: 20-30967AGING OF POST-PETITION LIABILITIES  
MONTHFeb 2020

DAYS	TOTAL	TRADE ACCOUNTS	FEDERAL TAXES	STATE TAXES	AD VALOREM, OTHER TAXES	OTHER
0-30	384.00	384.00				
31-60	0.00	0.00				
61-90	0.00	0.00				
91+	0.00	0.00				
TOTAL	\$384.00	\$384.00	\$0.00	\$0.00	\$0.00	\$0.00

## AGING OF ACCOUNTS RECEIVABLE

MONTH	Feb 2020					
0-30 DAYS	0.00					
31-60 DAYS	335,266.21					
61-90 DAYS	1,088,836.90					
91+ DAYS	147,140.44					
TOTAL	\$1,571,243.55	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

MOR-5

Revised 07/01/98

CASE NAME: Watson Grinding and Manufacturing Co.CASE NUMBER: 20-30967

## STATEMENT OF INCOME (LOSS)

	MONTH Feb 2020	MONTH	MONTH	MONTH	MONTH	MONTH	FILING TO DATE
REVENUES (MOR-1)	0.00						0.00
TOTAL COST OF REVENUES	225,281.58						225,281.58
GROSS PROFIT	-225,281.58	0.00	0.00	0.00	0.00	0.00	-225,281.58
<b>OPERATING EXPENSES:</b>							
Selling & Marketing	0.00						0.00
General & Administrative	3,345.42						3,345.42
Insiders Compensation	59,221.49						59,221.49
Payroll & Payroll Taxes	78,497.02						78,497.02
Professional Fees	0.00						0.00
Legal Fees	0.00						0.00
Bank Fees	2,514.58						2,514.58
Commissions	0.00						0.00
<b>TOTAL OPERATING EXPENSES</b>	<b>143,578.51</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>143,578.51</b>
INCOME BEFORE INT, DEPR/TAX (MOR-1)	-368,860.09	0.00	0.00	0.00	0.00	0.00	-368,860.09
INTEREST EXPENSE	5,542.00						5,542.00
DEPRECIATION							0.00
OTHER (INCOME) EXPENSE*							0.00
OTHER ITEMS**							0.00
<b>TOTAL INT, DEPR &amp; OTHER ITEMS</b>	<b>5,542.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>5,542.00</b>
NET INCOME BEFORE TAXES	-374,402.09	0.00	0.00	0.00	0.00	0.00	-374,402.09
FEDERAL INCOME TAXES							0.00
<b>NET INCOME (LOSS) (MOR-1)</b>	<b>(\$374,402.09)</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>(\$374,402.09)</b>

Accrual Accounting Required, Otherwise Footnote with Explanation.

\* Footnote Mandatory.

\*\* Unusual and/or infrequent item(s) outside the ordinary course of business requires footnote.

**MOR-6**

Revised 07/01/98

CASE NAME: Watson Grinding and Manufacturing Co.CASE NUMBER: 20-30967

CASH RECEIPTS AND DISBURSEMENTS	MONTH Feb 2020	MONTH	MONTH	MONTH	MONTH	MONTH	FILING TO DATE
1. CASH-BEGINNING OF MONTH	\$3,879,294.94	\$3,794,011.11	\$3,794,011.11	\$3,794,011.11	\$3,794,011.11	\$3,794,011.11	\$3,879,294.94
<b>RECEIPTS:</b>							
2. CASH SALES							0.00
3. COLLECTION OF ACCOUNTS RECEIVABLE	290,435.19						290,435.19
4. LOANS & ADVANCES (attach list)							0.00
5. SALE OF ASSETS							0.00
6. CONTRIBUTIONS							0.00
7. OTHER (Payroll Refund)							0.00
TOTAL RECEIPTS**	290,435.19	0.00	0.00	0.00	0.00	0.00	290,435.19
(Withdrawal) Contribution by Individual Debtor MFR-2*							0.00
<b>DISBURSEMENTS:</b>							
7a. NET PAYROLL	78,497.02						78,497.02
7b. INSIDER COMPENSATION	59,221.49	0.00	0.00	0.00	0.00	0.00	59,221.49
8. PAYROLL TAXES PAID							0.00
9. SALES, USE & OTHER TAXES PAID							0.00
10. SECURED/RENTAL/LEASES							0.00
11. UTILITIES & TELEPHONE							0.00
12. INSURANCE	15,233.41						15,233.41
13. INVENTORY PURCHASES							0.00
14. VEHICLE EXPENSES	2,650.00						2,650.00
15. TRAVEL & ENTERTAINMENT							0.00
16. REPAIRS, MAINTENANCE & SUPPLIES							0.00
17. ADMINISTRATIVE & SELLING	207,846.27						207,846.27
18. INTEREST EXPENSE	12,270.83						12,270.83
TOTAL DISBURSEMENTS FROM OPERATIONS	375,719.02	0.00	0.00	0.00	0.00	0.00	375,719.02
19. PROFESSIONAL FEES							0.00
20. U.S. TRUSTEE FEES							0.00
21. OTHER REORGANIZATION EXPENSES (attach list)							0.00
TOTAL DISBURSEMENTS**	375,719.02	0.00	0.00	0.00	0.00	0.00	375,719.02
22. NET CASH FLOW	-85,283.83	0.00	0.00	0.00	0.00	0.00	-85,283.83
23. CASH - END OF MONTH (MOR-2)	\$3,794,011.11	\$3,794,011.11	\$3,794,011.11	\$3,794,011.11	\$3,794,011.11	\$3,794,011.11	\$3,794,011.11

**MOR-7**

\* Applies to Individual debtors only

\*\*Numbers for the current month should balance (match)

RECEIPTS and CHECKS/OTHER DISBURSEMENTS lines on MOR-8

Revised 07/01/98

**CASE NAME:** Watson Grinding and Manufacturing Co.  
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**CASH ACCOUNT RECONCILIATION**  
**MONTH OF** Feb 2020

BANK NAME	Texas Capital Bank	Texas Capital Bank	Compass Bank	
ACCOUNT NUMBER	Acct Ending 0594	Acct Ending 0578	Acct Ending 6575	
<b>ACCOUNT TYPE</b>	<b>OPERATING</b>	<b>PAYROLL</b>	<b>OPERATING</b>	<b>TOTAL</b>
BANK BALANCE	878,394.06	5,426.48	3,025,247.64	3,909,068.18
DEPOSITS IN TRANSIT	0.00	0.00	0.00	0.00
OUTSTANDING CHECKS	117,065.90	0.00	0.00	117,065.90
ADJUSTED BANK BALANCE	\$761,328.16	\$5,426.48	\$3,025,247.64	\$3,792,002.28
BEGINNING CASH - PER BOOKS	852,740.39	5,426.48	3,019,119.24	3,877,286.11
RECEIPTS*	282,935.19	0.00	7,500.00	290,435.19
TRANSFERS BETWEEN ACCOUNTS	0.00	0.00	0.00	0.00
(WITHDRAWAL) OR CONTRIBUTION BY INDIVIDUAL DEBTOR MFR-2	0.00	0.00	0.00	0.00
CHECKS/OTHER DISBURSEMENTS*	374,347.42	0.00	1,371.60	375,719.02
ENDING CASH - PER BOOKS	\$761,328.16	\$5,426.48	\$3,025,247.64	\$3,792,002.28

**MOR-8**

\*Numbers should balance (match) TOTAL RECEIPTS an Revised 07/01/98  
TOTAL DISBURSEMENTS lines on MOR-7



**CASE NAME:** Watson Grinding and Manufacturing Co.  
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## PAYMENTS TO INSIDERS AND PROFESSIONALS

Of the total disbursements shown for the month, list the amount paid to insiders (as defined in Section 101(31)(A)-(F) of the U.S. Bankruptcy Code) and the professionals. Also, for insiders, identify the type of compensation paid (e.g., salary, commission, bonus, etc.) (Attach additional pages as necessary).

INSIDERS: NAME/COMP TYPE	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH
	Feb 2020					
1. John Watson	26,395.33					
2. Robert White	16,418.58					
3. Jason White	16,407.58					
4. Judy White	0.00					
5. Betty Sue Watson	0.00					
6.						
TOTAL INSIDERS (MOR-1)	\$59,221.49	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

PROFESSIONALS	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH
	Feb 2020					
1. Jones Murray and Beatty LLP	0.00					
2. MACCO Restructuring Group	0.00					
3.						
4.						
5.						
6.						
TOTAL PROFESSIONALS (MOR-1)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

**MOR-9**

*Revised 07/01/98*